

SOUTHWESTERN SPECIAL SERVICE DISTRICT

RESTATED FINANCIAL STATEMENTS

DECEMBER 31, 2005

CONTENTS

	Page
ACCOUNTANTS'S COMPLATION REPORT	3
MANAGEMENT'S DISCUSSION & ANALYSIS	4-6
BASIC FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS	7
STATEMENT OF ACTIVITIES	8
BALANCE SHEET	9
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS	10
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	11
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS RECONCILIATION TO STATEMENT OF ACTIVITIES	12
NOTES TO FINANCIAL STATEMENTS	13,14
REQUIRED SUPPLEMENTAL INFORMATION:	
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	15

The Honorable Board Members
Southwestern Special Service District
St. George, UT 84770

We have restated the compiled financial statements of the governmental activities of Southwestern Special Service District, a component unit of Washington County, as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and accordingly, do not express an opinion, or any other form of assurance, on them.

We are not independent with respect to Southwestern Special Service District.


SAVAGE ESPLIN & RADMALL, PC
May 12, 2006

SOUTHWESTERN SPECIAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

The discussion and analysis of Southwestern Special Service District's ("District") financial performance provides an overview of the District's financial activities for the year ended December 31, 2005. This report is in conjunction with the District's financial statements, which are part of this report.

The District is authorized to provide fire protection and suppression within the District. The District's Administrative Control Board consists of five (5) members, each of whom is elected by general election within the service area to serve a four-year term.

Financial Highlights:

- The District owns two fire stations and fire fighting vehicles and equipment to enable them to respond to fires within the District boundaries. The District is funded by a mill levy assessed on properties within the District. Washington County assesses and collects these levies with property taxes and distributes to the District. Actual collections distributed to the District during 2005 were \$109,564.
- The assets of the District are wholly unencumbered and amount to \$516,212 at December 31, 2005.
- As of the close of the current calendar year, the District's governmental funds reported ending fund balance of \$238,806, an increase of \$74,312 from the prior year. All of this balance is available for spending at the District's discretion (*unreserved fund balance*).

Using This Annual Report

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent calendar year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of

SOUTHWESTERN SPECIAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2005

related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both the government-wide financial statements distinguish function of the District that are principally supported by assessed mill levies assessed as taxes and other funds from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activity of the District is fire protection.

The government-wide financial statements can be found on pages listed in the table of contents.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds; the general fund and capital projects fund.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the calendar year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual budget for its general and capital project funds. A budgetary comparison statement for the general fund has been provided to show legal compliance with this budget.

The basic financial statements can be found as listed in the table of contents.

SOUTHWESTERN SPECIAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2005

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

Reporting the District as a Whole

The District realizes revenues from several sources; 1) annual assessment on property owners in the District, 2) investment earnings, and 3) matching fund grants and other sources of additional funding as identified.

Contacting the District

This financial report is designed to provide the citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact District board personnel at: P.O. Box 3120; St. George, UT 84771.

Condensed Financial Statements:

Assets:	<u>2004</u>	<u>2005</u>	Revenues:	<u>2004</u>	<u>2005</u>
Current	164,494	238,806	Total Revenues	81,106	157,722
Non-Current	<u>216,148</u>	<u>277,406</u>	Expenditures	<u>17,498</u>	<u>22,152</u>
Net Assets:			Change in Net Assets	63,608	135,570
Unrestricted	<u>380,642</u>	<u>516,212</u>	Beginning Net Assets	<u>317,034</u>	<u>380,642</u>
			Ending Net Assets	<u>380,642</u>	<u>516,212</u>

**BASIC
FINANCIAL STATEMENTS**

**SOUTHWESTERN SPECIAL SERVICE DISTRICT
STATEMENT OF NET ASSETS**

December 31, 2005

		Governmental Activities
ASSETS		
Current Assets:		
Cash		\$ 238,806
Capital Assets:		
Buildings & Equipment		<u>277,406</u>
TOTAL ASSETS		\$ <u>516,212</u>
LIABILITIES		
Liabilities:		\$ <u>-</u>
TOTAL LIABILITIES		-
NET ASSETS		
Investment in Capital Assets		277,406
Unrestricted		<u>238,806</u>
TOTAL NET ASSETS		<u>516,212</u>
TOTAL LIABILITIES & NET ASSETS		\$ <u>516,212</u>

See accompanying notes and accountant's report

**SOUTHWESTERN SPECIAL SERVICE DISTRICT
STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2005

	<u>Expenditures</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Utah Fire Assistance Reimbursements</u>	<u>Governmental Grants</u>	
Functions/Programs:				<u>Total Governmental Activities</u>
Governmental Activities:				
Fire Operations	\$ 22,152	\$ 21,913	\$ 22,273	\$ 22,034
TOTALS	\$ 22,152	\$ 21,913	\$ 22,273	\$ 22,034
General Revenues:				
Tax Revenues				109,564
Interest Income				3,972
Total General Revenues				<u>113,536</u>
Changes in Net Assets				135,570
Net Assets - Beginning of the Year				<u>380,642</u>
Net Assets - End of the Year				<u>\$ 516,212</u>

See accompanying notes and accountant's report

**SOUTHWESTERN SPECIAL SERVICE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2005

ASSETS	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
Cash	\$ 70,806	\$ 168,000	\$ 238,806
TOTAL ASSETS	\$ <u>- 70,806</u>	\$ <u>168,000</u>	\$ <u>238,806</u>
 LIABILITIES AND FUND EQUITY			
Liabilities:	\$ -	\$ -	\$ -
Fund Equity:			
Fund Balance:			
Reserved	70,806	168,000	238,806
Unreserved	<u>70,806</u>	<u>168,000</u>	<u>238,806</u>
Total Equity Fund	<u>70,806</u>	<u>168,000</u>	<u>238,806</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>70,806</u>	\$ <u>168,000</u>	\$ <u>238,806</u>

See accompanying notes and accountant's report

**SOUTHWESTERN SPECIAL SERVICE DISTRICT
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS**

December 31, 2005

Total Fund Balances - Governmental Fund Types	\$ 238,806
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds:

Buildings & Equipment	<u>277,406</u>
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Net Assets of Governmental Activities	<u>\$ 516,212</u>
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See accompanying notes and accountant's report

SOUTHWESTERN SPECIAL SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Totals</u>
REVENUE			
Tax Collections	\$ 109,564	\$	\$ 109,564
Matching Funds	22,273		22,273
Utah Fire Assistance Reimbursement	21,913		21,913
Interest Income	<u>3,972</u>		<u>3,972</u>
TOTAL REVENUE	157,722	-	157,722
EXPENDITURES			
Equipment	\$ 36,358	\$	\$ 36,358
Fire Fighter Fund	3,129		3,129
Fire Prevention Programs	3,700		3,700
General Administration	5,580		5,580
Land		24,900	24,900
Maintenance & Fuel	1,100		1,100
Supplies & Training	6,145		6,145
Utilities	<u>2,498</u>		<u>2,498</u>
TOTAL EXPENDITURES	<u>58,510</u>	<u>24,900</u>	<u>83,410</u>
NET CHANGES IN FUND BALANCES	99,212	(24,900)	74,312
OTHER FINANCING SOURCES (USES):			
Fund Transfers	(92,900)	92,900	-
FUND BALANCE - BEGINNING OF YEAR	<u>64,494</u>	<u>100,000</u>	<u>164,494</u>
FUND BALANCE - END OF YEAR	\$ <u><u>70,806</u></u>	\$ <u><u>168,000</u></u>	\$ <u><u>238,806</u></u>

See accompanying notes and accountant's report

SOUTHWESTERN SPECIAL SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS RECONCILIATION TO STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2005

Net Changes in Fund Balances - Total Governmental Funds	\$ 74,312
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlays	<u>61,258</u>
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Changes in net Assets of Governmental Activities	\$ <u><u>135,570</u></u>
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See accompanying notes and accountant's report

SOUTHWESTERN SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE-1 Summary of Significant Accounting Policies

Reporting Entity - The Southwestern Special Service District, a component unit of Washington County, was created by the adoption of a resolution to establish a special service district by the Washington County Commissioners on September 29, 1997. The District was authorized to acquire and operate facilities for fire control. The general boundaries of the District are the areas of Diamond Valley and Winchester Hills. The Special Service District's Administrative Control Board consists of five (5) members, each of whom was elected by general election within the service area. The board members each serve a four-year term. The board members, at their annual meeting, elected a chairperson, vice-chairperson, secretary, and a treasurer to serve such terms as the board shall determine.

Fund Accounting - The Special Service District uses fund accounting. The general fund operates with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity and revenues and expenditures. The fund and account group used by the District are as follows:

Governmental Fund

General Fund - The General Fund is the general operating fund of the Special Service District. It is used to account for annual tax revenues and other financial resources.

Capital Projects - The Capital Projects Fund is the restricted fund, segregated by formal motion and vote of the board for specific capital enhancements. The amount restricted during 2005 was specified for acquisition of real estate, fire department structures and structural improvements.

Account Group - General Fixed assets Account Group - The General Fixed Assets Account Group is used to record the cost of the fixed assets owned by the District and to aid in maintaining physical control over these assets. General fixed assets are recorded as expenditures in the General Fund at the time of purchase or construction. These assets are then concurrently recorded, at cost, in the General Fixed Asset Account Group. Donated assets are recorded in the General Fixed Asset Account Group at their estimated fair market value at the date of donation. Depreciation is not provided on general fixed assets. Certain improvements constructed in the public right of way, such as

Note 1 – Summary of Significant Accounting Policies (Continued)

roads, bridges, curbs and gutters, streets and sidewalks and drainage and lighting systems, are not recorded in the account group.

Basis of Accounting - The modified accrual basis of accounting is followed by the General Fund. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (when measurable and available). Expenditures are recorded when the liability is incurred.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Budget Process

Southwest Special Service District properly adopted the required budget for 2005. There were no changes to the original adopted budget during the year.

Note 3 – Cash

Cash Balances – At year-end, the carrying amount of the District's cash balances were \$238,806 and the bank balances were \$255,100. This entire amount was covered by federal depository insurance.

Note 4 – Changes in General Fixed Assets

	<u>Balance</u> <u>December 31,</u> <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31,</u> <u>2005</u>
Land, Machinery, Equipment, Buildings and Improvements	\$216,148	\$61,258	\$-0-	\$277,406

Note 5 – Utah State Retirement Plans

Southwestern special Service District does not participate in the Utah State Retirement Plan or any other retirement plan.

**REQUIRED SUPPLEMENTARY
INFORMATION**

SOUTHWESTERN SPECIAL SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Tax Collections	\$ 72,200	\$ 109,564	37,364
Matching Funds		22,273	22,273
Utah Fire Assistance Reimbursement		21,913	21,913
Interest Income		3,972	3,972
TOTAL REVENUE	72,200	157,722	85,522
EXPENDITURES			
Equipment	34,200	36,358	(2,158)
Fire Fighter Fund	6,365	3,129	3,236
Fire Prevention Programs	3,000	3,700	(700)
General Administration	5,400	5,580	(180)
Maintenance & Fuel	5,250	1,100	4,150
Supplies & Training	5,950	6,145	(195)
Utilities	2,800	2,498	302
TOTAL EXPENDITURES	62,965	58,510	4,455
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 9,235	99,212	\$ 89,977
FUND BALANCE - BEGINNING OF YEAR	64,494	64,494	-
FUND BALANCE RESERVED FOR CAPITAL PROJECTS	(9,235)	(92,900)	83,665
FUND BALANCE - END OF YEAR	\$ 64,494	\$ 70,806	\$ 6,312

See accompanying notes and accountant's report